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Politics, Business, and the Export Sector.

EXCLUSIVE INTERVIEW

Hispanic BUSINESS

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Photo of President Bush with Shiree Sanchez, the President's liaison to the Hispanic community. Photo by David Valdez.

George Bush came to the American presidency with two main life experiences behind him: one in business and the second in politics and government. Both nurtured a natural conservatism, a tendency to hold onto his cards until the time is right to play them.

Eventually perseverance, caution, a carefully crafted record of steady service, and a gradual rise earned him a crack at the main title. Suddenly in the 1988 presidential campaign, finally free from his mentors, he came out swinging and quickly placed his Democratic rival on the defensive.

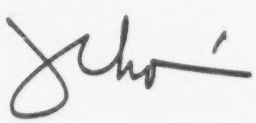
The Bush presidency is not about vaulting intellectual designs or a grand vision of things, although perhaps its practical bent and native pragmatism could achieve great things. Certainly it has already achieved one of the most spectacular examples ever of war used as an instrument of foreign policy.

But if some sectors continue to yearn for a grand domestic effort to repair the environment, correct the educational infrastructure, push civil rights, care for the homeless, create a national health plan, or resolve the deficit and foreign trade imbalance, these will all be a long time coming, if at all. Efforts to confront all of these issues would be highly divisive and require a consensus that no one, not even President Bush with his 70 to 80 percent favorable standing in the polls, can command.

So the President tacks to foreign policy and the export sector—with a focus on a Free Trade Agreement (FTA) with Mexico. The policy intent is to galvanize North America eventually into a powerful regional trade bloc capable of competing with the EC and the Asian tigers. This objective will be sorely tested by May 31, the deadline for a Congressional decision to approve extension of "fast track" authorization for trade negotiations.

Indeed, the Administration is already positioning the Hispanic electorate for 1992, but it surely isn't doing so with support for civil rights, equal employment opportunity, or expansion of minority business set-asides. It is emphasizing the FTA with Mexico, which Mexican-Americans particularly support; a tough stand on Cuba, which presumably takes care of the Cuban-American vote; and an indication of support for Puerto Rican statehood.

But who really knows what President Bush is thinking on these matters? One thing we do know is that he's a great counter of votes. And the Hispanic vote, although still marginal in the general scheme of national politics, looms larger and larger as the states redistrict to reflect the 1990 Census results.



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Small Change From the SBA

8(a) awards to Hispanics fell by 33 percent in 1990.

By Brian Wright O'Connor

In the wake of urban unrest, the U.S. government in 1968 ushered in a contract program intended to bring people of color into the economic mainstream and end the glaring inequities of two societies, separate and unequal. The 8(a) program, as it came to be known, provided for a stream of federal government contracts going out to businesses suffering the burden of social and economic disadvantages.

But something happened on the way to the mainstream: as the Small Business Administration's 8(a) contracting program grew, the constituency of disadvantaged businesses expanded as well, leading to inevitable conflict over a finite piece of the federal procurement action. What started out as a program geared largely to African-Americans, and which soon expanded to include Hispanics, now embraces more than 30 categories of socially disadvantaged groups, including mainstream women.

The appearance of nonminority females in the program caused some rumbling among contractors worried about competition, but politically speaking there was little that could be done about it. A survey of corporate constituencies by Sirota and Alper Associates in New York shows that resistance to affirmative action for women among mainstream men—the politically potent segment of U.S. society—decreased significantly during the 1980s, while resistance remained strong to help for minorities.

As the 8(a) table was getting more crowded during the 1970s and '80s, glaring political favoritism in the contract process led to scandals and congressional inquiry, resulting in sweeping reform legislation in 1988 intended to end abuses and make the program more accountable.

Among the more problematic changes was the end of sole-source, noncompetitive bidding for manufacturing contracts over $5 million and goods and service contracts over $3 million. The new threshold levels were meant to encourage more competition among 8(a) firms...but the result has been quite different. Federal procurement officers have avoided the 8(a) process like the plague, preferring standard bidding practices to the newly cumbersome 8(a) process.

Latin American Management Association Chairman Nicholas Innerbichler says Congress should reexamine the 8(a) reform law.

In addition, net worth requirements have driven from the program those 8(a) vendors whose total assets, excluding their home, exceed $250,000. A quarter million dollars sounds like a lot of money, but anyone who has ever gone hat in hand to a bank knows it's hardly sufficient to use as leverage for major capitalization funds. What's more, 8(a) vendors are no longer allowed to put up their business as collateral for loans, a significant economic tying of hands that has led to flight from the program.

So, like most reforms undertaken inside the Beltway that encircles Washington, D.C., the legislated changes have wrought as many problems as they were intended to solve. For Hispanic firms, the picture isn't pretty at all.

According to the SBA, 8(a) awards to Hispanic-owned firms suffered a 33 percent drop from fiscal year 1989 to fiscal year 1990—from $781 million down to $526 million. And the 1990 figure represents a 41 percent fall from 1988, when Hispanic companies did $895 million worth of 8(a) business with the federal government.

Other 8(a) constituencies were hit as well: African-American owned firms did $1.37 billion worth of 8(a) business in 1988, but only $663 million in 1990. And businesses owned by nonminority women, who did $14 million in 8(a) work in 1988 and increased that to $24 million in 1989—saw their all-time high drop by more than half in 1990, to just $11 million.

The grim figures produced cries of distress from all corners of the minority business community. Washington officials, in keeping with the best political tradition of assigning blame, sought a scapegoat. They found her in Erline Patrick, the first nonpolitical appointee to head the SBA's Minority Small Business and Capital Ownership Development (MSB-COD) division, which among its other duties oversees the 8(a) program. Ms. Patrick had been considered uniquely qualified to end the reign of pa-

tronage appointments to the 8(a) hot seat: during her previous tenure as a Senate Small Business Committee staffer, she helped write the reform legislation.

But after less than two years as the agency's MSB-COD administrator, she was out the door. In December she was detailed briefly to the wilderness of New England before being brought back to Washington as part of the low profile special programs division.

In the meantime, sands were shifting at the top of the agency as well. SBA Administrator Susan Engeleiter announced her resignation in January to pursue as yet unnamed private sector opportunities in her home state of Wisconsin. The 39-year-old former state senator had come from the Badger State in 1988 after narrowly losing a U.S. Senate race. Her replacement is another moderate Republican with no business experience—former U.S. Representative Patricia Saiki of Hawaii, like her predecessor a recently failed U.S. Senate candidate.

According to agency sources and business owners who requested anonymity, Ms. Patrick ran afoul of SBA superiors angry over backlogs in the certification process, particularly as they affected mainstream women applicants. Some of the delays were purely procedural: the 8(a) staff, working with new regulations and hampered by turnover, found it difficult to meet newly mandated 90-day processing requirements.

Meanwhile, businesses clamoring for entry into the program vented their wrath at upper levels of the SBA, and the heat came down, some said unfairly, on Ms. Patrick's head.

Nicholas Innerbichler, president of TAMSCO Corp. in Calverton, Maryland, and chair of the Latin American Management Association, expresses regret for the departure of Ms. Patrick, who won wide respect, he says, in the minority business community. "We were very disappointed in the loss of Erline Patrick," comments Mr. Innerbichler. "We thought that her background with the Senate Small Business Committee and her role in writing the 8(a) reform act gave her tremendous insight into the law. Were there problems with it? Of course there were. Erline, in spite of severe budget constraints, did an excellent job."

Like most 8(a) vendors, Mr. Innerbichler worries about the long term effects of changes in the program, from which TAMSCO derived about $24 million in manufacturing and software contracts in 1990—approximately 80 percent of its total revenue. Competition from women-owned firms for 8(a) contracts is less a factor in the declining figures for Hispanic businesses, he explains, than the introduction of competitive bidding to the program. "Congress needs to revisit certain areas of the law—it needs to go back and fix things," he counsels.

Other Hispanic business advocates are less generous in their assessment of SBA officials past and present.

"As far as Hispanic businesses are concerned, Susan Engeleiter and Erline Patrick made no difference at all," is U.S. Hispanic Chamber of Commerce President Jose Nino's blunt critique. "Things are no better now than when they arrived," he insists strongly. "The SBA is not out in our community. They do not have a good outreach program."

Isaiah "Ike" Washington, a career SBA employee brought in from the Atlanta regional office as Ms. Patrick's interim replacement, contends the jury is still out on how the new regulations will affect the 8(a) vendor community. "This year is really the first true test of competition in the 8(a) program," says Mr. Washington. With the backlog of certification applications left over from Ms. Patrick's tenure finally cleared up, he advises caution before pronouncing the new changes a failure. As to jostling between competing constituencies for 8(a) contracts, Mr. Washington goes no further than to acknowledge that the tension exists: "I would have to say there is a concern within the minority business constituency," he says. "I would say it was overall and not necessarily focused on the 8(a) program."

For businesses lining up to enter the 8(a) fold, reports of turmoil from Washington tend to dampen enthusiasm. Consuelo Gonzales Thornell, vice president of Bell Associates Inc. in Cambridge, Massachusetts, had provided management consulting services for a decade before finally gaining certification last year. Mrs. Thornell, who also holds a director's seat on the powerful Boston Redevelopment Authority, plans to pursue 8(a) contracts aggressively without making the mistake of relying too much on public sector largesse. Firms that depended exclusively on 8(a) contracts, she points out, often found themselves floundering once they were eased out, or "graduated" from the program.

"We'll try to broaden our base with the program," she says. "We've had to get out in the past and really market our company in a light economy. The competition from other firms is just a fact of life. When women were included as a minority entity without increasing the size of the contract pie, we knew this would make it tougher.

"It's unfortunate, but it makes you work that much harder."

Minority 8(a) Contracts Declined From 1988 To 1990*...

	1988	1989	1990
African-Americans	$1.37 B	$1.17 B	$663 M
Hispanics	$895 M	$781 M	$526 M
Minority Women	$369 M	$214 M	$207 M
Nonminority Women	$14 M	$24 M	$11 M
TOTAL	$2.648 B	$2.189 B	$1.407 B

...While Total 8(a) Contract Dollars Increased

	1988	1989	1990
Total $ awarded	$3.3 B	$3.4 B	$3.4 B
Total # of contracts	4,440	3,946	3,136

* Fiscal years (Oct. to Oct.), does not include contract modification amounts.
(Source: Ike Washington, SBA, Feb. 1991; Susan Clifford, SBA, Oct. 1990.)

POLITICS

The Political Event of the Decade

Redistricting can translate Census numbers into power.

By Joel Russell

On February 19 Gloria Molina, a Los Angeles City Council member, was elected to the Los Angeles County Board of Supervisors. She is the first Hispanic on the Board in its 115-year history.

Ms. Molina's election wasn't simply good fortune. In fact it was the result of a 1988 lawsuit alleging that the Board had deliberately discriminated against Hispanics when it carved the map up into electoral districts back in 1981. The court agreed, new lines were drawn, and a special election was held.

This year, politicians at all levels of government across the country are sitting down with the 1990 Census results to begin redistricting. And the nation's Hispanic community is bracing to exert its muscle in the process.

"It's probably the most important political event of the decade, because it sets the parameters within which elections are held," says Dr. Robert Brischetto, executive director of the Southwest Voter Research Institute (SWVRI). "It's a window of opportunity, a process for setting the rules for the democratic electoral game."

The states that have gained seats in the U.S. Congress include California (7), Florida (4), Texas (3) and Arizona (1). "What do they have in common? Large Latino populations," says Arturo Vargas, director of outreach policy for the Mexican American Legal Defense and Educational Fund (MALDEF). "There's a direct correlation. Half the population gain in California, for example, is Hispanic." And therefore three of the seven new House seats should be Hispanic, according to California Representative Esteban E. Torres.

There's a catch, though, Mr. Vargas adds. The fact that more members of Congress will come from Sunbelt states doesn't guarantee better representation for Hispanics. That all depends on how the Congressional district lines are drawn. The state legislature makes this decision in each state, the only legal requirement being that any redistricting must be complete in time for the 1992 elections.

"The operative word here is 'fair process,'" says Bob Castaneda, community relations officer for the Governor of California. "If we had our 'druthers, we would prefer to see it apolitical and nonpartisan or bipartisan...but that's not the way it is, so in many cases you have the fox watching the chickens."

Dr. Robert Brischetto is executive director of the Southwest Voter Research Institute.

Hispanics can affect the congressional redistricting process in several ways, says Dr. Brischetto. First each state will hold hearings to review redistricting plans.

Although anybody can submit a plan, politics and demographics make it a sophisticated game. The facts are these: districts must be nearly equal in population size; all minority groups must be taken into account; line drawing to suit the purposes of political parties (gerrymandering) is common; and reapportionment tends to threaten the people already in office—the incumbents—says Dr. Brischetto. That's a fact not lost on politicians.

The basic principle for minorities is that "for purposes of preserving a [minority] incumbency, you can't dilute the minority vote," says Mr. Vargas. "If there is the opportunity to create a district that keeps a minority population intact, that must be taken into account."

Conversely, two strategies for creating "safe seats" for mainstream incumbents are to fragment a minority population among several districts, or to lump it all into one district when its number would justify two districts.

Mr. Vargas says that taking all the factors into account means that voting districts must often be "built" incrementally, one block at a time. The SWVRI has developed special computer software and a training manual to help local Hispanic groups play the game too. But you don't need a law degree or a computer to affect the system, Mr. Vargas says. Hispanics can contact politicians and explain how discrimination has hurt them in the past. Mr. Castaneda agrees that lobbying legislators and "holding their feet to the fire" can exert a powerful effect.

Once the legislature adopts a plan there is a time for public response. If the legislature adopts a plan unsatisfactory to Hispanics, groups and individuals can still lobby elected officals. In some cases letters to the Justice Department (the enforcer of the Voting Rights Act of 1965) can change the outcome. The final recourse is litigation.

"We need to insist that the whole process be held in the open, that the public have the opportunity to review the lines," says Mr. Vargas. "That's the kind of information the public should have access to. If it is not provided, something is fishy."

After Congressional seats have been

reshuffled, reapportionment will continue at the state, county, and city levels. Here self-interest prevails because "every political entity is responsible for redistricting itself," Mr. Vargas explains. State legislators, for example, draw their own lines. The Hispanic presence at the local level is likely to be even greater, due to geographic concentration and population growth during the past decade.

Hispanics in Chicago, for example, now represent almost 20 percent of the city's population. They expect to increase their number of members in the Illinois House of Representatives from two to five and will try to create three state senate districts, says Juan Andrade, Jr., president of the Chicago-based Midwest/Northeast Voter Registration Education Project. Also, he says, "there must be a way to create a U.S. congressional district that embraces a substantial portion of the heavily Hispanic northwest and southwest areas" of the city. This in a state that will lose two members of Congress due to relatively slow population growth.

"The whole process redefined itself with the historic lawsuit and the election Gloria Molina won," concludes Mr. Castaneda. "Is there a trickle-down effect, a domino impact? I think so. But that depends on what happens in various communities in terms of the people in power."

The important thing to remember, says Mr. Vargas, is that "there should be the opportunity for public input at every level. Politicos are savvy at "looking out for number one"—as the Los Angeles Board of Supervisors did until this year.

States Gaining or Losing Representatives After 1990 Census

State	Change	Hispanic % of population		State	Change	Hispanic % of population	
		1980	1990			1980	1990
California	+7	19.2	25.8	Louisiana	-1	2.4	2.2
Florida	+4	8.8	12.2	Massachusetts	-1	2.5	4.8
Texas	+3	21.0	25.5	Montana	-1	1.3	1.5
Arizona	+1	16.2	18.8	New Jersey	-1	6.7	9.6
Georgia	+1	1.1	1.7	West Virginia	-1	0.7	0.5
N. Carolina	+1	1.0	1.2	Illinois	-2	5.6	7.9
Virginia	+1	1.5	2.6	Michigan	-2	1.8	2.2
Washington	+1	2.9	4.4	Ohio	-2	1.1	1.3
Iowa	-1	0.9	1.2	Pennsylvania	-2	1.3	2.0
Kansas	-1	2.7	3.8	New York	-3	9.5	12.3
Kentucky	-1	0.7	0.6				

(Source: 1980 and preliminary 1990 Census data.)

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1990 Census Report Delivers the Good News

The U.S. Bureau of the Census has officially corroborated what partial studies, projections, market research, and plain common sense had been showing for the past couple of years—that the Hispanic population is growing at a tremendous speed, and likely to supplant African-Americans as the country's largest minority within the next decade.

The number of Hispanics went from 14.6 million in 1980 to 22.4 million in the 1990 census, an increase of 53 percent. In its earlier projections, the Census Bureau had not expected the Hispanic population to reach this figure before 1995.

States With Highest Proportion of Hispanics

New Mexico	38.2%
California	25.8%
Texas	25.5%
Arizona	18.8%
Colorado	12.9%
New York	12.3%
Florida	12.2%

(Source: 1990 U.S. Census data, preliminary)

The relative importance of Hispanics as a group has also increased in the past decade—from 6.4 percent of the total United States population in 1980 to 9 percent today. During the same decade, the proportion of African-Americans has only grown by 0.4 percent, to 12.1 percent—now only 3 percent ahead of Hispanics.

The Census report shows that Hispanics are present in every state of the union, and the state-by-state findings are sometimes surprising. More Hispanics reside in Idaho than in the District of Columbia, more in Washington State than in Nevada. Hispanics make up 7.3 percent of the population in Hawaii, and nearly 18,000 people of Hispanic descent live in Alaska.

The strongest concentrations of Hispanics remain in California—with more than one third of the total—and in Texas, New York, Florida, and Illinois. California's Hispanic population grew by more than 3 million, or almost 70 percent, in the past decade, going from 4.5 million in 1980 to 7.7 million in 1990. Texas saw a 45 percent increase, New York 33 percent, Florida 83 percent, and Illinois 42 percent.

The Census results will serve as the basis for a great many political and business decisions for the next 10 years. Besides a redistribution of seats in the House of Representatives, social and educational programs will be approved or vetoed according to the overall ethnic composition and electoral power of communities as illustrated by the Census data.

How accurate are the figures? "The Hispanic population demonstrated an extreme commitment to be counted," emphasizes Arturo Vargas, director of outreach and policy at the Mexican American Legal Defense and Educational Fund (MALDEF). "Hispanic organizations and the Hispanic media urged the community to participate. There is no doubt that there is an undercount but, because we came together as a community behind the Census, the results are probably far more accurate than they could have been."

The count of undocumented immigrants became an important issue during the Census. The Bureau asked household heads to provide information on the number, age, sex, and ethnic origin of all current occupants, regardless of their legal status. "We are confident that we reached a great number of undocumented immigrants," says Jorge del Pinal, chief of the Ethnic & Hispanic Statistics Branch at the Bureau. "But we don't have any way of finding out how many we missed, nor does anyone else."

States With Largest Hispanic Population

Total U.S.	22,354,059
California	7,687,938
Texas	4,339,905
New York	2,214,026
Florida	1,574,143
Illinois	904,446

(Source: 1990 U.S. Census data, preliminary)

U.S. Population By Group

	1980	1990
Total population	226,545,805	248,709,873
Mainstream	83.1%	80.3%
African-American	11.7%	12.1%
Hispanic origin	**6.4%**	**9.0%**
Asian or Pacific Islander	1.5%	2.9%
American Indian, Eskimo or Aleut	0.6%	0.8%
Others	3.0%	3.9%

(Source: 1980 and preliminary 1990 U.S. Census data)

The Bureau is currently doing sample surveys across the country to determine the margin of error in the Census report, and, if it proves necessary, will adjust the data on African-Americans and Hispanics. The results should be released later this year. But in the meantime, there is no longer any doubt in anyone's mind that Hispanics are a political force and a consumer market to be reckoned with.